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United Nations Conference on Trade and Development

Second Session
WORKING GROUP II
Agenda items 14 and 15

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TRADE EXPANSION AND ECONOMIC INTEGRATION AMONG DEVELOPING COUNTRIES, MEASURES TO BE TAKEN BY DEVELOPING AND DEVELOPED COUNTRIES - INCLUDING REGIONAL, SUB-REGIONAL AND INTER-REGIONAL ARRANGEMENTS [14]

SPECIAL MEASURES FOR THE LEAST DEVELOPED AMONG THE DEVELOPING COUNTRIES AIMED AT EXPANDING THEIR TRADE AND IMPROVING THEIR ECONOMIC AND SOCIAL DEVELOPMENT [15]

Organization of work

Note by the Chairman

Seven meetings of Working Group II have been allocated for the completion of the consideration by the Working Group of items 14 and 15.

It is suggested that the draft report on item 14 be considered and approved by the Working Group at the 15th meeting scheduled for Tuesday morning March 12.

As to item 15 the following order of business is suggested:

13th and 14th meetings	Commodity Policy (References: TD/8, TD/8/Supp.1, Chapter II, paragraph 45 and Chapter VIII B, TD/11, TD/16 paragraphs 82 and 83, TD/17, paragraphs 14-21, TD/38/Add.2) Manufactures and semi-manufactures (References: TD/12, TD/38/Add.2, TD/17, paragraphs 23-32)
16th meeting	Development finance (References: TD/17, paragraphs 33-44)
17th meeting	Other sub-items: 1. Economic co-operation and regional integration among developing countries: (References: TD/17, TD/B/85/Rev.1, Chapter IV, Chapter XII, paragraph 32, TD/15, paragraphs 69 and 80) 2. Trade promotion (References: TD/17, paragraph 54, TD/21) 3. Trade with Socialist Countries (Reference: TD/17, paragraphs 55-56)
18th and 19th meetings	Consideration of draft report on item 15.

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WORKING GROUP II

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Draft Report of Working Group II

Part II: Deliberations concerning agenda item 15

Rapporteur: Mr. D. LALOUX (Belgium)

Chapter I

REVIEW OF THE PROBLEM OF THE LEAST DEVELOPED AMONG THE DEVELOPING COUNTRIES AND SPECIAL MEASURES TO BE TAKEN IN THEIR FAVOUR

1. Item 15 of the agenda, as adopted by the Conference, reads as follows: "Special measures to be taken in favour of the least developed among the developing countries aimed at expanding their trade and improving their economic and social development".

2. In considering item 15, the Working Group held .... meetings from 8 March to ..... March 1968.

3. The discussion on item 15 was introduced by a statement by the representative of the Secretary-General of UNCTAD.

4. The statements made reflected a general consensus among the developing and developed countries on the increasing recognition by the international community of the special situation of the least developed among the developing countries and the need to provide special measures in their favour in programmes of international economic co-operation. There was general agreement that the problems and handicaps of the least developed countries should be given particular attention by UNCTAD, the regional economic commissions, the international financial institutions and other competent organs of the United Nations family and that special measures on their behalf should be included among measures emerging from these organizations. Emphasis was laid on the need to develop the economic and social infrastructure as well as to expand and diversify the productive capacity of the least developed countries.

5. The main objective of special measures in favour of the least developed among the developing countries would be to ensure that these countries derive in appropriate cases, equitable benefits and comparable advantages from the various policy measures for development emerging from international economic co-operation of member countries of UNCTAD. These measures could be undertaken in various spheres of UNCTAD activities, such as commodity policy, manufactures and semi-manufactures, development finance including technical assistance, trade promotion, and regional integration.

6. The representatives of many developing countries drew attention to the relevant sections of the Charter of Algiers, in particular, document TD/38/Add.2, which contained recommendations on a series of special measures that could be taken in favour of the least developed countries in the fields of commodity policy, manufactures and semi-manufactures, development finance including technical assistance, invisibles, trade promotion and trade with socialist countries. These representatives expressed the view that these measures should be considered by the Working Group. They further stated that such measures which were not sufficiently specific could be elaborated upon by the Working Group; moreover, additional measures such as those outlined in relevant secretariat documents, in particular document TD/17, should also be considered for inclusion in a programme of special measures for the least developed countries. They also stressed that special measures were of vital importance to the least developed countries to enable them to alleviate their development problems and to effectively participate in global schemes of international economic co-operation.

7. The delegations of some developing countries stated that, while they were in general agreement with the provisions for the least developed countries in the Charter of Algiers, they considered that these measures were of a short-term character and merely constituted an initial attempt to meet the problems of the least developed countries. In future new special measures should be devised to complement them.

8. Considerable importance was attached by several delegations of developing countries to the desirability of a special programme of technical and financial assistance to the least developed countries and to the need for the developed countries to expand or at least maintain their aid programmes to these countries.

9. Other delegations of developing countries offered their experience in regional groupings particularly with respect to special measures for the relatively less developed countries in the context of integration in such groups. In this connexion, some delegations pointed out their efforts in assisting the less developed countries in their region. Others considered that regional measures were not sufficient and had therefore to be supplemented by international action.

10. Some developing countries observed that the special measures in favour of the least developed countries should be taken by the whole international community including the advanced developing countries. This would conform to the spirit of the Algiers Charter which affirms that "the developing countries are determined to contribute to one another's development". The representative of one developing country further added that the developing countries would not be consistent with themselves when they request greater efforts from the developed countries if the advanced developing countries would not in their turn make an effort in favour of the least developed countries. The representative of one developed market economy country enquired why this concept of solidarity between developing countries was not reaffirmed in document TD/38/Add.2. In reply, it was pointed out that this concept had been clearly stated in the Charter of Algiers (TD/38).

11. The delegations of some developed market economy countries expressed the view that special measures in favour of the least developed countries were appropriate in different fields. Some of them considered the possibilities for adapting measures to the specific needs of a given country were more promising in the field of technical and financial assistance. They stressed that international and regional institutions in these fields had a key role in promoting the development of the least developed countries and therefore attached priority to increasing the resources of these institutions, in particular, UNDP, IDA and the regional development banks.

12. Some developed market economy countries referred to the measures which they were already taking in favour of the least developed countries in their aid and trade policies. Mention was made of bilateral and multilateral assistance programmes, contributions to IDA, to the European Development Fund and to regional financial institutions and also the Commonwealth Sugar Agreement. As regards the

matter of aid administration, the delegations of some developed market economy countries affirmed that their aid programmes would continue to pay special attention to the problems of the least developed countries, and some of them pointed out that their aid to least developed countries was provided on particularly soft terms. In addition, the representative of one of these developed market economy countries considered that while attention would have to be given to the volume of aid, special attention should be given to the terms and conditions of aid. In this respect he considered that a high proportion of this aid should be of the grant type.

13. The representatives of several developed market economy countries stated that, in their opinion, commodity agreements could constitute a field for special measures in favour of the least developed countries. The representative of one of these countries stressed the importance of the organization of primary commodity markets to the least developed countries and proposed that, in the provisions of future agreements, the special position of these countries should be taken into account. The representative of another developed market economy country stated that special consideration would need to be given, within the framework of commodity agreements, to those least developed countries whose immediate trade opportunities were largely limited to a very small range of primary commodities for export.

14. The delegation of a socialist country of Eastern Europe offered the experience of their grouping in relation to their relatively less developed member countries and informed the Group of its activities affecting the developing countries, including the least developed among them.

15. Delegations of developed market economy countries expressed the view that it would not be possible for the Working Group to give detailed consideration to individual measures suggested in the Charter of Algiers and secretariat documents on the subject in view of the limited time available to it. They also pointed out that concrete measures in the various substantive fields were related to matters that were still under consideration in the various committees of the Conference. They could not, therefore, commit themselves in the Working Group before they knew the conclusions of the various committees. The subject could be considered by the

Trade and Development Board on a continuing basis with a view to examining the feasibility of special measures suited to the special needs of the least developed countries. In this connexion, some of them suggested that the Working Group draw up a joint statement recommending to UNCTAD bodies as well as other United Nations organizations having responsibilities in the field of development to accord particular attention in their studies, recommendations or decisions to the problems of the least developed countries and wherever possible introduce, in the measures which they recommend or decide for all the developing countries, special provisions in favour of the least developed among them.

16. The delegations of some developed and developing countries expressed the view that the objective of the special measures should be not to create discrimination among the developing countries or to affect adversely the development of any of them but to ensure due benefits for the least developed among them so that all developing countries gained equitable benefits.

17. The representative of a regional economic commission expressed concern over an apparent wavering policy and/or lack of attention to the situation of the least developed countries in some aid programmes. He expressed the hope that bilateral and multilateral aid programmes such as the European Development Fund would be maintained and, if possible, expanded to enable these programmes to continue to assist the developing countries, particularly the least developed among them.

18. The representative of a regional development bank agreed that various special measures could be considered in favour of the least developed countries to enable them to overcome some of the development inhibiting factors and to help them initiate and accelerate their socio-economic development. In view of the belief that a special programme for economic and social development of these countries was necessary, the bank had proposed to establish a special fund which would give special priority to the development of the relatively less developed member countries through soft loan facilities.

19. It was generally agreed in the Working Group that the special situation of the least developed among the developing countries deserved the continuing attention of the international community, and that efforts should be made to devise concrete measures in their favour in appropriate fields. The Trade and Development Board should keep under review the problems of the least developed countries and the effectiveness of the measures taken on their behalf.

20. During the discussion, the representative of Guatemala, on behalf of 14 developing countries, introduced a draft resolution on item 15 for consideration by the Working Group.

Chapter II

IDENTIFICATION OF THE LEAST DEVELOPED AMONG THE DEVELOPING COUNTRIES

21. The statements that were made on this subject pointed to a general consensus in the Working Group that the problem of identifying the least developed among the developing countries was a complex task and posed certain technical problems. It should, therefore, be approached in a pragmatic manner.

22. The representatives of many developing countries drew attention to the Charter of Algiers listing four possibilities for identifying the least developed countries. They also pointed out that the secretariat documents discussed in some detail some of the main technical aspects of identifying these countries. The representatives of some developing countries pointed out the experience which existing regional groupings and organizations including the regional economic commissions had on this problem.

23. The representatives of many developing countries expressed the view that the identification of the least developed countries could be undertaken by the institutional machinery that may be set up for the application of the general measures adopted at UNCTAD. Some felt that the criteria for identification would vary from measure to measure, and would require to be determined separately in each case. The representative of one of these countries pointed out that there were a number of methods of identification which were not mutually exclusive, but rather could be used in combination and that the institutional machinery should consider this point.

24. The delegations of some developed market economy and developing countries were of the opinion that the list of the least developed countries could emerge from decisions of regional groups while others considered that the list could initially include a few developing countries which could be considered least developed under any set of objective criteria. The representative of one developing country named Malawi, Ethiopia, Rwanda, Burundi, Upper Volta, Somalia and Burma as falling under this category. The representatives of some developed market economy and developing countries pointed out that it would be difficult to devise special measures without any prior knowledge of the countries for which they were intended to be applied.

25. The delegations of some developing countries suggested that the land-locked developing countries should be automatically included in the list of the least developed countries.

26. The representatives of some developed market economy countries stressed the desirability of drawing up a list of the least developed countries. They pointed out that the nature and scope of the special measures that could be considered in favour of these countries depended to a large extent on the number of developing countries for which these measures were intended. Therefore while recognizing the difficulty of establishing an all-purpose list, they considered it necessary as soon as possible to know the approximate number of the least developed countries in respect of particular measures.

27. The representative of one developing country maintained that the concept of least developed countries could be related to particular sectors of the economy. Accordingly, the least developed countries could not be identified before a case-by-case study of those claiming to be least developed had been made.

28. The representative of one socialist country of Eastern Europe stated that he shared the view expressed by several developing countries that the identification of the least developed countries should be undertaken by the developing countries themselves.

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SPECIAL MEASURES FOR THE LEAST DEVELOPED AMONG THE DEVELOPING COUNTRIES AIMED AT EXPANDING THEIR TRADE AND IMPROVING THEIR ECONOMIC AND SOCIAL DEVELOPMENT

Statement by the representative of the Secretary-General 1/ at the eleventh meeting of Working Group II on 8 March 1968

The task before the Working Group in the days ahead Mr. Chairman is that of considering and devising "special measures to be taken in favour of the least developed among the developing countries aimed at expanding their trade and improving their economic and social development".

The importance of this subject has been recognized at the first Conference as reflected in various recommendations of the Final Act, in particular General Principle Fifteen which lays down that "the adoption of international policies and measures for economic development of developing countries shall take into account the individual characteristics and different stages of development of the developing countries, special attention being paid to the less developed among them as an effective means of ensuring sustained growth with equitable opportunities for each developing country". Recommendations A.IV.1 which establishes guidelines for international financial co-operation; and A.III.8 which relates to expansion of trade in manufactures among developing countries also stress the need of the least developed countries. To give effect to these recommendations of the Final Act, the Trade and Development Board at its fourth session decided to include the question in the provisional agenda of the second Conference. For this purpose, the secretariat has also prepared a study, the results of which are embodied in documents TD/17 and TD/17/Supp.1. TD/17 offers a general examination of the problem of least developed countries and a number of suggestions on special measures that could be taken in their favour. The supplement examines the problem of identification of the least developed among the developing countries.

1/ Circulated at the request of the Group.

In whatever way one defines the least developed countries, whether one considers these countries as those progressing from a predominantly subsistence to a cash economy, or those with a low level of per capita income, or those with a meagre level of industrialization, or possessing a combination of these and other related characteristics, the important point is that there are such countries, and differences as to the correct way of identifying them cannot obscure this fact; and that they can be recognized with a certain degree of accuracy, their trade and development problems studied and measures in their favour designed and provisions made in the UNCTAD programme of trade and development to assist their own efforts at accelerated development.

At the fifth session of the Board in September 1967, this item was identified as one of the "focal points" which might attract the special attention of the Conference.

The group of 77 considered the question of providing special measures for least developed countries at the Algiers conference and appointed a working group of 15 from all regional groups of the developing world to consider the question and make concrete recommendations. The recommendations of the working group have now been adopted by the Group of 77 and are now before you as part of the Algier's Charter, document TD/38,Add.2. I also want to draw your attention to the documents listed by the secretariat in TD/II/WG.II/L.1, which provide background material for our work. At the plenary meetings of the Conference, many heads of delegations have made statements relating to agenda item 15. You have before you document TD/II/WG.II/Conference Room Paper 3 and Addendum 1 which contain extracts from the debate in the plenary relating to item 15.

In consideration of special provisions for least developed countries, it would be an oversight not to recognize that all developing countries have many common economic characteristics and common basic trade and development problems, in spite of differences in their level of development and their capacity to participate and reap benefits from the general measures of UNCTAD. Indeed, for example, the successful application of a comprehensive international commodity policy is of particular interest to the least developed countries since primary commodities are at present their most important, if not their only source of export earnings. Again, the need to

overcome their dependence on primary commodities and to expand their foreign earnings by exporting manufactures and semi-manufactures is of particular importance to them. A number of them, although not yet in possession of an industrial sector, are in a position to expand the processing of their raw materials and agricultural products. A general scheme of preferences would open considerable opportunities for them. The increase in the flow and the improvement in the terms of development finance is also relevant and the world and regional financial institutions, in particular the International Development Agency, take into account in their lending policies the degree of development of countries. Indeed, the replenishment of IDA funds is of direct significance to the least developed countries and several regional financial institutions such as the Asian Development Bank and the African Development Bank, have special provisions for the least developed countries. Regional and sub-regional economic co-operation and integration schemes are vital for the least developed countries whose national markets are too small to allow for possible economies of scale. Their efforts to diversify production are seriously handicapped unless they can create, together with other developing countries, multinational markets as a basis for their industrialization. Consequently, a systematic effort to promote and enlist international support for regional and sub-regional economic co-operation and integration would benefit the least developed countries.

It is evident, that there are many measures in the general UNCTAD development programme in which the least developed countries have a stake and from which they can benefit. The question therefore arises as to what are the handicaps of countries of a low level of development that may vitiate their ability to take full advantage of the general measures designed to promote the interests of all developing countries. Obviously, countries whose productive resources are still in the initial stages of development are least able to help themselves by responding to opportunities of development through trade. Measures to improve earnings from primary products and to increase access for manufactures to the markets of the developed countries will not help the countries which produce limited amounts of primary products

and few manufactures. The need, therefore, to develop the productive capacity of the least developed countries so that they can increasingly share from the benefits of liberal trade policies is a first imperative. Larger aid flows should help enlarge the productive capacity to the point where least developed countries are able to benefit fully from the various trade measures. This would also imply that special provisions are needed to enable the least developed countries to share in the benefits accruing to all the developing countries from the general UNCTAD measures.

The problem is therefore twofold: one to enlarge the productive capacity of least developed countries, and two, to make provisions that would enable them to benefit fully from the general measures in favour of all developing countries.

The least developed countries are particularly handicapped in expanding their trade and accelerating their development by their relatively low capacity to absorb foreign aid because of inadequate economic and social infrastructure and the lack of technical skills. At the same time, because of prevailing low levels of income, the financial resources available from domestic sources are usually very restricted and the flow of external resources may also be limited by lack of adequately prepared development projects. To assist the least developed countries in enhancing their capacity to absorb increased inflows of financial assistance and for widening and deepening their technological and social service bases, it is proposed, in secretariat document TD/17, that they should be given priority access to funds for pre-investment and feasibility studies; for technical assistance; for economic and resource surveys, and for the formulation of development plans. It is also proposed that the special needs of the least developed countries be taken into account in increasing the flow of aid for building infrastructural facilities such as transportation and communication networks, energy supplies, educational and health facilities, etc. Infrastructural investments require large financial resources which are, as a rule, beyond the possibilities of the great majority of least developed countries. Since they are usually and particularly lacking in adequate infrastructure, the more financial assistance is directed into infrastructural investments, the more

they are likely to benefit. The secretariat also proposes that specific commitment should be considered, for instance within UNIDO, for assisting the least developed countries particularly in the establishment of export oriented industries. Moreover, regarding development finance, the needs of the least developed countries are such as to require larger flows of financial assistance with a preponderance of grants. /In order to enable them to take increasing advantages of opportunities in the trade field the need to widen the infrastructural base and the productive capacity is evident./

In the sphere of trade, a number of provisions that enhance the opportunities for least developed countries could be considered.

In the field of commodity policy, the desirability of some measure of flexibility in international commodity agreements, improved access to commodity markets with suitable safeguards for all developing countries including refund of revenue-charges, especially those that are excessive, could be considered. Commodity policy is of paramount importance to all developing countries now and for some time to come. This is particularly true for some developing countries that depend for their export earnings on one or two primary commodities, so that any policy that would tend to restrict their primary exports or inhibit their expansion could seriously disrupt the process of economic development. Commodity policy should provide the developing countries with an opportunity to exploit their potential in the products in which they are most suited by virtue of their natural endowments and therefore could produce economically.

TD/17 suggests a number of measures in the field of commodity policy in favour of least developed countries.

(1) In designing programmes for the relaxation and elimination of various tariff and, in particular, non-tariff barriers and domestic support policies affecting access to markets for primary commodities, special consideration could be given to the needs of the least developed countries, and to the commodities of particular interest to them. Such measures would necessarily vary according to the market characteristics of each commodity.

(a) Regarding products which compete with the domestic production of developed countries special attention could be given to commodities of particular interest to least developed countries in market sharing arrangements designed to allocate to developing countries a defined percentage of the consumption of the developed countries.

(b) Developed countries which grant special preferences and developing countries that enjoy them could contribute to preventing the possibility that the least developed countries outside existing preferential schemes would suffer from their impact by extending existing special preferences to all least developed countries. It may be considered especially unjustified if the disadvantages resulting from existing preferences should be borne by the least developed countries.

(2) In regard to commodity agreements, it is proposed in document TD/17 that:

(a) supplying countries as a whole might agree to take into consideration the least developed countries real production and export potential in so far as it can be economically exploited. This should enable least developed but potentially efficient producers to attain economic levels of production without limiting market opportunities to efficient producers;

(b) when financial and technical aid to production and diversification are considered or applied, a more systematic attention should be given to the needs of the least developed countries with a view to helping them raise their productivity through research and the use of modern techniques and, more important, to make appropriate changes in their economic structure.

In the field of manufactures, several proposals are made in the secretariat documents TD/12 and TD/17 in respect of special measures which would enable the least developed countries to participate more effectively in the benefits of a general scheme of preferences. At this conference the second committee had an opportunity to discuss these proposals thoroughly.

I wish to draw the attention of the Working Group to the summary proceedings of the Second Committee, in particular TD/II/C.2/SR.13 to 15, and to document TD/II/C.2/ Misc.5 containing the Chairman's summing up on Special measures for the least advanced developing countries. The Working Group will note that the Committee has devoted considerable attention to this question, making it possible to draw some tentative general conclusions from its deliberations. At this stage I will only allow myself the comment that there appears to be a unanimous agreement in the Committee that "everything possible should be done to enable the least advanced developing countries to secure a fair share of the benefits accruing from a system of general preferences". Since negotiations are now proceeding in the contact group appointed by the Second Committee, this working group may want at this stage only to take note of the progress so far achieved and not duplicate the Committee's efforts.

Regional economic co-operation and integration involving countries with different levels of development offers a wide range of possibilities for special measures in favour of the least developed countries. Several secretariat documents make suggestions on a variety of measures to ensure that the gains from regional co-operation or integration schemes are as fully as possible shared by all the partner countries. Under item 14, this working group had the opportunity to discuss this subject. So far as the smaller least developed countries are concerned, regional economic integration is a necessity for their industrialization and for an accelerated rate of economic development. Consequently, there is a need for a systematic effort to enlist international support for promoting regional integration schemes. In order to ensure participation in regional integration schemes, the more advanced partner countries could also provide special measures in favour of the least advanced of their regions.

Attention could be paid to the least developed countries also in the area of trade promotion. The joint UNCTAD/GATT International Trade Centre could take into consideration the special needs of the least developed countries in formulating its

trade promotion programme, including training of trade officials from developing countries. The least developed countries could be given special attention in the facilities offered by the United Nations trade promotion programme and by other international organizations. An effort could be made by developed countries through specific "import promotion" measures in favour of the products of the least developed countries.

The socialist countries could consider participating in the various schemes suggested in favour of the least developed countries or achieving the same results by means of other trade policy instruments appropriate to their system. In drawing up their long-term economic plans and in concluding long-term agreements and contracts, they could pay special attention to the needs of the least developed countries and to promoting consumption and imports of products of particular interest to these countries. Furthermore, in their long term economic co-operation agreements concluded with the least developed countries, they could consider extending special financial assistance to them on concessional terms.

May I now turn to the problem of identification. I believe careful consideration should be given to this important and sensitive question. When we talk of a developing country or a least developed country, we are referring to the "level of development". The question arises therefore as to how, and of utmost importance, for what purpose one measures the level of development. It is difficult to make a strict classification of the developing countries and of the least developed among them. However, the technical difficulties are not insurmountable. The secretariat document TD/17/Supplement 1 offers an analysis of these problems and possible approaches to their solution. It may nonetheless be unnecessary to have a strict classification in order to determine, with reasonable accuracy, which countries are not in a good position to avail themselves of the opportunities offered by various measures and policies in the UNCTAD development programme. There are therefore two or more approaches to the identification problem.

One possible approach /to the identification of the least developed among the developing countries/ is to differentiate developing countries by means of the level of development concept. Under this approach the identification of countries is based on a set of indicators reflecting the social and economic features that are most relevant to the level of development concept. TD/17/Supp.1 examines a number of such indicators. The list is by no means exhaustive and can be supplemented by auxiliary indicators, subject to the availability of comparable data. I will give some illustrative examples.

1) There is the per capita domestic product. The current situation with respect to international comparability of national accounts data is such, however, that this indicator can be used more suitably in conjunction with other more specific indicators.

2) There is the proportion of total gross domestic product originating in the manufacturing sector of the percentage of the labour force engaged in manufacturing activity. Besides measuring the level of industrialization, these data also give some indication of the relative importance of market-oriented activities as distinguished from the traditional subsistence sector.

3) There is the per capita energy, cement or steel consumption which indicates the level of economic infrastructure.

4) There is the level of literacy or the number of doctors and of university and technical school graduates per thousand of the population, which indicates the level of social development.

5) Then there are various indicators showing the degree of development or vulnerability of the country's foreign trade links with the outside world. These include: the level of per capita exports, the relative importance of primary commodities in total exports, and the degree to which exports are concentrated on one or a few products.

Under this first approach, Mr. Chairman, a combination of these and other indicators can be used to identify the least developed countries. TD/17 Supp.1 exposes the weaknesses of this method. Since, however, out attempts at identification have a practical purpose, that is to provide specific measures and provisions in favour of the least developed countries, the exercise of identification itself could be given a more practical orientation, in the sense of being linked

more directly to the policy measures being considered. This is the second approach to the problem of identification. Instead of attempting to draw up an all purpose list of least developed countries based on a given set of development indicators, one might follow a more policy oriented approach. On the assumption that developing countries can be least developed in some but not necessarily in all respects, it might be desirable to identify the countries which are least likely to benefit from a given undifferentiated UNCTAD policy measure. Many of the indicators discussed in TD/17/ Supp.1 are clearly related to one or another of UNCTAD policy recommendations. Under this approach the institutional machinery concerned would undertake the identification of the least developed countries in the context of the particular policy measure it is charged with implementing and supervising, taking into consideration the objectives of the policy measure being applied. The machinery would also design the form of, and elaborate on, the special measures to be taken in favour of the countries so identified. Those developing countries deserving special attention may well emerge in the course of the consideration and implementation of specific measures. This approach has some flexibility in that its coverage would vary to some extent, depending upon the specific measure under consideration. In each case, the policy measure itself may point to some major identifying criterion which may be supplemented by other indicators generally agreed to be relevant to the policy issue involved. Or, alternatively, the institutional machinery dealing with each of the general UNCTAD policy measures may be entrusted with the evaluation of claims for special treatment by countries failing to benefit appreciably from an undifferentiated application of these measures. The machinery would review the claims on a case by case basis, taking into account all pertinent factors. One can also use as a guide the identification arrived at in regional integration schemes; where developing countries are members of regional or sub-regional schemes, the countries enjoying special treatment within each integration scheme, because of the relatively low level of their development, could be considered as the least developed countries. Another additional consideration may emerge from the deliberations of Working Group III on Special problems of the land-locked countries in case it comes to the conclusion that the land-locked developing countries should have recourse to special measures envisaged in favour of least developed countries.

Thus it seems possible to arrive at a workable solution to the problem of identification. The UNCTAD secretariat has undertaken, and continues to undertake, extensive studies on trade prospects and capital needs of developing countries on a country by country basis. These studies represent an attempt to quantify various aspects of the development problem so as to provide a framework for discussions of trade and aid policy. They throw considerable light on the question of the "trade and resource gap" and on the question of "absorptive capacity". Thus our country studies and projections, and the various indicators of the level of development give us an insight into the characteristics, the problems and the handicaps of developing countries.

We can also learn from the practices and experiences of existing institutions. Although there is apparently no formalized procedure being followed by existing international financial institutions in deciding on the claims to more lenient terms and conditions for finance by developing countries, they have accumulated considerable experience from which we can benefit. The IDA has fact-finding missions for arriving at a balanced assessment of claims by countries for special treatment.

In conclusion, Mr. Chairman, I would like to point out that the essence of "special measures" lies in the recognition that the capacity of the least developed countries to participate and reap benefits from the measures of international co-operation should be enlarged so that the global efforts of the United Nations could achieve their full significance. The secretariat is making a start in the endeavour of giving adequate recognition to the problem. The least developed countries need to be more effectively integrated into the world economy so that they will be in a position to contribute fully to the prosperity and peace of the world and add content and meaning to the human solidarity and international co-operation which this conference is seeking.

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Draft Declaration of support by developed market economy countries on trade expansion and regional economic co-operation among developing countries

Submitted by the representative of Sweden at the 8th meeting of the Working Group II on behalf of: Australia, Austria, Belgium, Denmark, Federal Republic of Germany, Finland, France, Greece, Japan, Netherlands, New Zealand, Norway, Spain, Sweden, Switzerland, Turkey, United Kingdom and United States of America

1. The developed countries welcome the intention of the developing countries to conclude arrangements among themselves, aimed at promoting economic growth and expanding their mutual trade. They share the belief that trade expansion and intensified economic co-operation between developing countries should make an important contribution towards their development. They further believe that efforts in this direction, so long as they foster a rational and liberal expansion of production and trade, and avoid undue injury to the trading interests of third parties, should contribute in the long run to the expansion of world trade and should promote more effective use of the resources available for development.

2. The developed countries declare their general readiness to support initiatives of the developing countries, to increase their trade and strengthen their economic co-operation, along the lines indicated above and are prepared to consider what help they can give to any concrete proposals which may be put forward. Such help might take the form of action in the field of commercial policy as well as technical assistance and financial aid.

3. If, after examination and consultation, particular trading arrangements among the developing countries are found to be consistent with the objectives set out above the developed countries are ready to support such arrangements, which may imply

derogation from existing international obligations, including appropriate waivers of their rights to most-favoured nation treatment. There should be provision for appropriate consultations on these arrangements.

4. While the initiative in regional co-operation must come from the developing countries, the developed countries are prepared to assist initiatives of this kind in the allocation of their financial and technical assistance. This help must depend both upon the nature and merits of individual proposals, on the priority attached to them on the part of the developing countries concerned, on the aid policies of individual donor countries, and the nature and structure of their aid programmes. Such measures might include: assistance to financial institutions embracing groups of developing countries; financial and technical assistance in the planning and implementation of regional projects; and assistance to meet the need for interim support to developing countries arising from obligations which they may have undertaken in connexion with their participation in arrangements for regional co-operation or integration.

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Draft Declaration of support by developed market economy countries on trade expansion and regional economic co-operation among developing countries

Submitted by the representative of Sweden at the 8th meeting of the Working Group II on behalf of: Australia, Austria, Belgium, Denmark, Federal Republic of Germany, Finland, France, Italy, Japan, Netherlands, New Zealand, Norway, Sweden, Switzerland, United Kingdom and United States of America

Corrigendum

Page 1: Add "Italy" to the list of sponsors

Delete "Greece", "Spain" and "Turkey" from the list of sponsors.

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Elements for inclusion in a declaration of UNCTAD II with respect to trade expansion and economic integration among developing countries

Submitted by the representative of the Ivory Coast at the 10th meeting of the Working Group II on behalf of: Algeria, Burundi, Chad, Congo (Democratic Republic of), Ivory Coast, Liberia, Madagascar, Nigeria, Republic of Tanzania, Tunisia, United Arab Republic, Uganda, Burma, Ceylon, Iraq, India, Iran, Republic of Korea, Malaysia, Pakistan, Philippines, Syria, Argentina, Bolivia, Brazil, Chile, Colombia, Guatemala, Mexico, Uruguay and Venezuela.

A. Introduction

1. The developing countries reaffirm that trade expansion and economic co-operation among themselves is an important element of global strategy for development, and they are therefore determined to make their own contribution toward the fulfilment of the objectives of UNCTAD by stepping up their efforts in this respect.

2. The developed countries should state that they share the conviction that the expansion of trade and economic co-operation or integration among developing countries is an essential element for the economic development of these countries and forms part of an evolving global strategy for development. They should recognize that the improvement of mutual market access and the creation of multi-national markets among developing countries would in appropriate cases stimulate the establishment of new industries, the fuller use of existing productive capacities as well as the utilization of specialization opportunities in industry and agriculture, and that it would contribute to the diversification of the exports of the developing countries, both commodity-wise and geographically, as well as enhance industrial efficiency, a condition for successful export efforts to all the developed world. The developed countries should therefore, state their conviction that the efforts undertaken in this field by the developing countries would lead to a more rational use of the internal and external resources available for development as well as to an increase in world trade.

3. Such arrangements for increasing trade among developing countries should in no way be regarded as lessening the need for opportunities for larger and more remunerative volumes of exports to the developed countries.

4. Developed countries should acknowledge the need for diversity in the choice of methods of economic co-operation based on the specific circumstances and the politica will in each grouping. The choice of both the method and the scope of programmes fo economic co-operation should be recognized as being a matter entirely for the decision of the developing countries concerned.

5. Developed countries should affirm their support for the limited schemes of trade liberalization and industrial co-operation, and for the step-by-step approach to economic integration. They should undertake to provide support for joint programmes and projects among groups of developing countries not only in the field of trade expansion but also in other aspects of their economic policies.

6. Developed countries should take note of the various obstacles, identified at this Conference, in the way of the implementation of the further measures of integration and trade expansion which the developing countries have indicated their intention to embark on in the future. Developed countries should recognize among others the difficulties arising from:

(i) the inadequate physical and commercial infrastructure available to serve trade among developing countries;

(ii) the restraint arising from inadequate foreign reserves to cushion the temporary imbalances that may result from increasing their imports from each other;

(iii) inadequate financial and technical support for the elaboration of multinational projects and policies:
and

(iv) the insufficiency of financial resources, especially in the hands of regional and sub-regional banks, to finance multinational projects to develop the infrastructure and productive capacity of co-operating countries, to adapt existing productive enterprises to more competitive conditions, to ensure adequate opportunities and benefits within a balanced development for the participating least developed countries and to strengthen domestic enterprise so that it can benefit from the enlargement of the market.

7. The developed countries should subscribe to the conclusion that "the availability of appropriate external financing and technical assistance would be an important contribution for enabling developing countries to achieve more rapid progress in trade expansion and integration efforts" (Charter of Algiers).

B. Specific measures of support

I. Measures in the field of commercial policy

1. Developed countries should make a commitment that they will accept, without taking countervailing measures, agreements between groups of developing countries on tariffs and quotas which impinge on preferential advantages at present accorded to them, on a contractual or non-contractual basis, by the developing countries concerned.

2. With a view to facilitating the rapid implementation of agreements reached among developing countries in undertaking schemes of trade expansion and economic integration and involving derogation of the MFN principle:

(i) developed countries should give an assurance that the agreements reached as a result of the multilateral negotiations among developing countries, presently initiated, will be allowed to be implemented without delay;

(ii) developed countries should also declare their support for selective arrangements for the liberalization and expansion of trade among developing countries which stipulate:

(a) that other developing countries could negotiate their participation in these arrangements on the basis of mutual benefit, and

(b) that the arrangements make adequate provision for prompt remedial action in case of damage to the exports of other developing countries arising out of the implementation of such agreements.

3. Developed countries should take the appropriate measures to facilitate the removal of restrictive commercial practices, such as those arising from the internal sales policies of private enterprises and from the restrictions on the use of franchise rights which inhibit access of the products of industry in one developing country to the markets of its partner countries. Developed countries will take measures to

facilitate the removal of such restrictions which are imposed by enterprises domiciled in their territory.

II. Measures in the field of finance and credit

1. Developed countries should undertake to supply such additional resources to regional and sub-regional financing institutions as will enable them to institute or expand their support to multinational and economic co-operation.

2. Measures should be taken to encourage and enable the multilateral financial institutions to extend support to schemes of regional co-operation and multinational projects both directly and through regional and sub-regional financial institutions.

3. In order to increase the effectiveness of integration schemes and to assure financial support for them on a steady basis, the developed countries should agree to participate in establishing appropriate consultative arrangements when a group of developing countries request it.

4. Developed countries agree to relax conditions presently attached to aid granted by them to developing countries in order to allow use of aid funds for promoting trade exchanges among developing countries.

5. Where institutions for credit and insurance which are domiciled in developed countries operate in developing countries, no regulations in the country of origin should inhibit them from taking steps in the field of credit and insurance to facilitat exports from the developing countries.

6. The developed countries should:

(i) recognize the utility of establishing adequate multilateral arrangements in matters of payments and agree to support financially such arrangements for solving the problems of temporary imbalances in the external trade of developing countries arising from an increase of trade due to the implementation of trade expansion and economic integration schemes; in this regard, the concerned international financial institutions should also be enabled to extend the necessary support to such arrangements;

(ii) support a request to the Secretary-General of UNCTAD to convene a meeting of governmental representatives to consider how international financial support might be extended to multinational payments schemes connected with programmes for the expansion of trade among developing countries.

III. Measures in the field of technical assistance

1. The developed countries should undertake to supply technical assistance under international auspices for the preparation of multinational projects in order to facilitate agreement among groups of developing countries that request it. This assistance should be given among others to the establishment of export industries and for export promotion programmes for facilitate the marketing of the products of these industries in other countries, for the preparation of multinational projects in the field of transport and communications, and for the promotion of multinational programmes of manpower development and research as appropriate.

2. Developed countries should give special assistance for surveys of natural resources and for the preparation of studies of investment projects in connexion with programmes of trade expansion and economic integration among developing countries.

3. The developed countries should undertake to give technical assistance to the developing countries in the establishment of institutional arrangements for economic co-operation.

4. Developed countries should declare their readiness to examine the granting of additional funds specifically earmarked for supporting technical assistance and studies in the field of trade expansion and integration among developing countries in connexion with concrete negotiations among developing countries. The UNDP should be requested to set aside sufficient funds for technical assistance and feasibility studies in this field.

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TRADE EXPANSION AND ECONOMIC INTEGRATION AMONG DEVELOPING COUNTRIES, MEASURES TO BE TAKEN BY DEVELOPING AND DEVELOPED COUNTRIES INCLUDING REGIONAL, SUB-REGIONAL AND INTER-REGIONAL ARRANGEMENTS

Elements for inclusion in part of a declaration of UNCTAD II on item 14 referring to institutional arrangements

Submitted by: Algeria, Burundi, Chad, Congo (Democratic Republic of), Ivory Coast, Liberia, Madagascar, Nigeria, Republic of Tanzania, Tunisia, United Arab Republic, Uganda, Burma, Ceylon, Iraq, India, Iran, Republic of Korea, Malaysia, Pakistan, Philippines, Syria, Argentina, Bolivia, Brazil, Chile, Colombia, Guatemala, Mexico, Uruguay and Venezuela.

1. UNCTAD II should make provision for the establishment, as soon as possible, but not later than the end of 1968, of a Permanent Committee to deal with specific problems relating to trade expansion, economic co-operation and integration among developing countries, in particular those referred to in Section F of the Charter of Algiers. In this connexion, arrangements shall be made to establish suitable mechanisms or procedures for the implementation of the recommendations of the Conference regarding this item, particularly the declaration of support. Detailed terms of reference for the permanent committee shall be worked out by the Trade and Development Board at its seventh session, taking into account the responsibilities and work of the regional economic commissions and other regional or sub-regional bodies.

2. The Secretary-General of UNCTAD shall undertake the necessary steps with the GATT Director-General with a view to arranging that the Trade Negotiations Committee set up by developing countries that are Contracting Parties of the GATT would operate within a joint GATT/UNCTAD framework and be serviced by both Secretariats.

3. A special centre to train experts in the field of trade expansion, economic co-operation and integration among developing countries shall be established under the auspices of UNCTAD and other specialized agencies in this field. The Secretary-General of UNCTAD shall, after consultation with the regional economic commissions and other regional or sub-regional bodies, submit suggestions to this effect to the seventh session of the Trade and Development Board.

4. The Secretary-General of UNCTAD is requested:

(a) in keeping with the wishes that may be expressed by Regional Commissions and other regional bodies, to arrange that the research efforts of the Secretariat in this field shall be directed towards finding practical solutions for specific problems that tend to arise in trade expansion and integration efforts among developing countries and that are of common interest to various developing regions; to regularly disseminate information and data on the experiences acquired in the various developing regions in dealing with problems of trade expansion, economic co-operation and integration; to establish a small nucleus of highly qualified advisers to be put at the disposal of the regional commissions, if they request it, for short-term advisory services particularly with respect to the problems on which the Secretariat would have concentrated its research efforts. UNDP should consider making provision for these arrangements;

(b) to establish and keep up, upon the indications received from countries and other bodies, a roster of names of experts that could in principle be drawn upon with respect to each of the specific problems arising in trade expansion and integration processes. Subject to the procedures of UNDP, a choice of names for a particular job description would be submitted to the requesting bodies and countries which can then enter directly into contact with the experts. Upon specific request, the UNCTAD secretariat may also assist in seeking out suitable candidates for a particular job description.

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TRADE EXPANSION AND ECONOMIC INTEGRATION AMONG DEVELOPING COUNTRIES, MEASURES TO BE TAKEN BY DEVELOPING AND DEVELOPED COUNTRIES, INCLUDING REGIONAL, SUB-REGIONAL AND INTER-REGIONAL ARRANGEMENTS [14]

Declaration of support by socialist countries on the question of trade expansion and economic co-operation among the developing countries (Submitted by the representative of the USSR on behalf of the Group D countries at the 20th meeting of Working Group II, 19th March 1968).

The socialist countries support measures to develop economic relations between the developing countries which are aimed at strengthening their political and economic independence. They stress that economic co-operation between the developing countries may be truly of advantage if the economic groupings of these countries are open, do not hinder the economic development of other developing countries not participating in a particular process of economic co-operation and are based on the just principles excluding discrimination due to differences in the social and economic systems of the countries concerned.

The expansion of such co-operation can undoubtedly promote more effective utilization of the resources of the developing countries, help to overcome the limiting effect of national markets on the development of their economies and be a way of accelerating their rate of development.

Since the process of developing economic co-operation between the developing countries is occurring under specific and particularly difficult conditions, it requires the application of appropriate economic methods and machinery; this refers in particular to the increasing role of the State, which is playing in the developing countries at present an ever greater role in the economy and in the mobilization of different sources of capital accumulation for the purpose of economic development.

In addition, in order to ensure the best conditions for the development of co-operation, it is necessary to eliminate many unfavourable consequences of the colonial past. An important form of assistance to the developing countries - for purposes, inter alia, of regional co-operation - would be the exercise by the newly independent countries of the right to compensation for the loss caused to their economies during the period of colonial dependence and unrestricted control over profits transferred abroad by foreign investors.

In accordance with the above principles, the socialist countries will continue to organize their relations with the developing countries in such a way as to help solve the problems confronting the developing countries in this field through the expansion of purchases of raw materials, manufactures and semi-manufactures from those countries and further development of economic co-operation on a bilateral basis, and in part through the appropriate international bodies. The socialist countries are ready to continue making the services of experts available to the developing countries and making arrangements for the training of national personnel in the field of the expansion of trade and the development of economic co-operation between them.

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TRADE EXPANSION AND ECONOMIC INTEGRATION AMONG DEVELOPING COUNTRIES, MEASURES TO BE TAKEN BY DEVELOPING AND DEVELOPED COUNTRIES, INCLUDING REGIONAL, SUB-REGIONAL AND INTER-REGIONAL ARRANGEMENTS

Statement made by the representative of the Secretary-General introducing the discussion on item 2 of the Working Group's agenda 1/

International Support Action

1. At the request of the Chairman, I shall make a few remarks with regard to the three sub-headings of the present Agenda item, i.e. commercial support action, financial support action, support action in the field of technical assistance.

In view of the short time at the disposal of our Group, I venture to formulate some questions which we have raised in our reports and to which the debate may provide some answers. These questions are not addressed to one group of countries only, but concern the international community as a whole because, indeed, the content of international support action may best be determined jointly by all concerned.

I.

2. Let me first state some basic questions which cover all three fields for which international support action may enter into account:

3. Does the international community agree with the various reasons why trade expansion and integration among developing countries constitutes an essential element of the so-called global strategy for development, particularly because it would lead to a more rational use of the scarce internal and external resources available for development?

4. Does the international community share the view that trade expansion and integration among developing countries faces special problems and difficulties as compared to similar efforts among developed countries?

1/ Circulated at the request of the representative of Nigeria.

5. Does the international community agree that some of these obstacles at leas could be overcome rapidly or more easily if the joint efforts of developing coun were backed-up by developed countries and international organizations?

II.

6. Let me now refer to the specific questions that arise under the heading referring to commercial support action. Here some explanations may contribute t the clarification of the issues at stake.

As it is known to the Group, the principle of the most-favoured-nation trea governs the relationship between countries in the commercial field. Traditional it had, however, been recognized that countries can deviate from this principle if they commit themselves to forming customs unions or free trade areas i.e. if commit themselves to abolishing all trade barriers among the group of countries concerned. In view of the special difficulties which trade expansion and integr among developing countries encounters, the point of view has, however, been pres for some years now, that less far-reaching commitments than free trade areas and customs unions may often be the only way of starting a co-operation process amon developing countries. Already, at the First UNCTAD, Recommendation A.III.8 and General Principle 8 gave some recognition to this point of view. But at the Trad and Development Committee of the GATT in Spring 1968, a further important step wa made in this direction. This Committee concluded "that the establishment of pre among less-developed countries, appropriately administered and subject to the necessary safeguards, can make an important contribution to the expansion of trad among these countries and to the attainment of the objectives of the General Agreement". The Committee also gave consideration to the form and scope of such preferential arrangements, to the measures for safeguarding the interests of othe Contracting Parties as well as to the appropriate legal provisions for such arrangements. But it concluded "that before an attempt was made to draw up speci legal provisions or formulae for the exchange of preferences, it would be helpful see what concrete proposals or arrangements might in practice be made or negotiat by less-developed countries acting within the spirit of part IV". It indicated t "less-developed countries propose to enter into exploratory talks in this regard an early date", and the Committee recommended therefore "that arrangements be mad for the examination of any such proposals or arrangements when they are received. The conclusion may be drawn from this decision by the GATT that,

The principle of exchanging preferences among developing countries is recognized.

The GATT invites developing countries to work out concrete schemes among themselves.

No automatic green light to such arrangements is given because the GATT will examine on a case-by-case the question of whether it will grant to such arrangements a waiver under Article XXV of the General Agreement.

The question may, therefore, be formulated in the following terms: Has the awareness of the importance of trade expansion efforts among developing countries increased since the GATT meeting two years ago, to such an extent that it would be useful to go a step further and to indicate, for instance, the spirit in which this case-by-case examination will be made?

7. The second question arising under the heading of commercial support action relates to the preferences granted by some developing countries to some developed countries, be it on a contractual basis or not. Indeed, if trade among developing countries is to be expanded, they would have to be put at least on an equal basis with the developed countries concerned or even get an advantage over them. As long as developed countries enjoy a commercial policy advantage over other developing countries in certain markets of developing countries, the desire to expand trade among the developing countries concerned can hardly materialize.

Some of these developing countries may be hesitant to change this situation because, rightly or wrongly, they may feel that to grant preferences to other developing countries against the developed countries concerned, would endanger the commercial or other advantages which they enjoy in the markets of the developed countries. These commercial and other advantages may be all the more precious for them as no universal policy in the benefit of all developing countries has as yet been adopted. These developing countries may fear, in other words, that the preferences or other advantages which they presently enjoy in developed countries, get lost if they extend preferences to other developing countries. No doubt, this is not the only, and perhaps not the most important, factor for insufficient progress in trade expansion efforts among developing countries; but it is certainly one of the many inhibiting factors which make trade expansion efforts among developing countries so difficult. Developing countries will hardly embark

on the unavoidably difficult negotiations with other developing countries if they have doubts as to whether the agreement with them can be implemented, or if they fear that they would suffer losses in the developed world because they have given some advantages to other developing countries. This type of problem arises to a greater or lesser extent in all developing continents and may be in some cases the fears are purely imaginary. Therefore, the question may be formulated as follows: Can the developed countries which presently enjoy preferences in some developing countries give some indications as to the attitude which they would take if developing countries negotiate mutually beneficial agreements among themselves that touch the immediate trade interests of the developed countries concerned? Could they, for instance, accept that imports from them do no longer enjoy advantages over imports from other developing countries, whenever these developing countries succeed in concluding mutually profitable agreements with other developing countries?

III

8. With respect to financial support action, the answer to the following questions may make it possible to assess the stage which the process of international opinion formation has reached:

9. Does the international community agree that the solution of certain specific problems arising in trade expansion and integration processes among developing countries would be a legitimate and worthwhile use of international financial assistance?

10. What are the problems for which assistance would be justified? In this respect, I would refer to TD/15, paragraphs 54 to 62, where a rather large list of such problems worthy of assistance is mentioned.

11. Is it recognized that there is a certain link between the financial assistance available and the more or less far-reaching nature of the joint efforts of developing countries, i.e. is the financial assistance all the more justified, the more the joint efforts of developing countries can be expected to have an accelerating effect on the rate of development?

12. Is it agreed that concrete outside assistance can be considered only in those cases where a group of developing countries has taken the initiative to present a specific scheme which its members have negotiated among themselves, it being understood that a sound evaluation of the needs that would arise in the course of the scheme's implementation would have to be made?

13. Among the problems that may deserve assistance, the question of support to reserve funds for multilateral payments arrangements among developing countries may deserve special attention, and I, therefore, venture to devote a special question to it: Does the Working Party agree with the conclusion of the UNCTAD Expert Group on this subject - which was composed of a majority of experts who hold responsible positions in government or banking - which stated in paragraph 85 that "Contributions by developed countries to such funds would represent an efficient use of development finance, and would promote more efficient use of other development finance."

Let me add a comment here. In discussions in the developing part of the world on trade expansion among developing countries, great prominence is usually given to the example of the European Payments Union which permitted Western European countries to proceed rapidly to intra-European trade liberalization. In these discussions, it is always recalled that the United States made an important contribution to the Reserve Fund of this Payments Union which was the condition for its success. However, developing countries have, hitherto, not been encouraged, but on occasion positively discouraged, to follow the same path. One of the reasons for this attitude was that the situation in post-war Europe was completely different from that existing among developing countries and that, therefore, the same remedy was not applicable. In our studies we cannot fail to recognize that there are some important differences with respect to the situation in post-war Europe, but we also think that there is a definite link between the adoption of more far-reaching trade liberalization commitments, on the one hand, and payments arrangements with sufficient credit margins to enable the participating countries to deal with the inevitable problem of temporary imbalances. To discourage the use of the latter method, may make it all the more difficult to arrive at meaningful trade liberalization agreements among developing countries. But of course, this is a difficult problem that may deserve consideration at a technical level.

IV.

14. Let me finally make a few points regarding technical assistance. If trade expansion and integration among developing countries is a difficult process, the outside experts to assist it must be people with considerable practical experience. People who have done the job already in other circumstances are usually better experts than those who have read about it in books only. We have received from Latin America, from the Maghreb and from other African bodies, the request to seek out such experts, for instance, for origin matters, for item-by-item negotiations, for ways and means of establishing a common tariff, etc. Yet, these people have usually responsible positions in developed countries or in other developing countries, and one does not like to let them go. What can be done by national governments and groupings or by international institutions to put these people at the disposal of interested groups of governments of developing countries?

15. In our contacts we have often found that one reason of the reluctance to put these people at the disposal of interested groups or governments is the feeling that the work to be done would be "just another study". Governments are not willing to let people go if they have in the past made the experience that the conclusions of the expert will just be added to the heaps of unread papers which international organizations and experts financed by them seem to be condemned to produce. Would the potential providers of technical assistance be more forthcoming if the requests were not only made by governments or regional bodies, but would be specifically linked to a concrete negotiating effort that has the political support of the governments of the developing countries concerned?

16. Since the problem of trade expansion and integration among developing countries poses itself in different terms from that among developed countries, what can be done to ensure that these experts acquire the necessary awareness of the experiences made in other developing regions and even can obtain technical back-stopping during their mission?

17. Finally, a negotiation cannot be carried out by outside experts; it must base itself on national staff. If this staff does not exist and if the techniques for defending in a reasonable but effective way the national interest of the countries

concerned are only vaguely or not known, governments must of necessity be fearful to embark upon negotiations. This handicap applies particularly to the relatively less advanced countries who as a consequence of it, tend sometimes to stay out of co-operation movements because it appears to be the safest way, though precisely for these countries, the regional or sub-regional market is usually particularly vital. Is there therefore a place for training courses regarding specific questions relating to the trade expansion and integration process among developing countries?

18. These are only some of the questions arising under the sub-heading relating to technical assistance. I have consciously not mentioned the institutional problems relating to this question of technical assistance. It may be easier to have a look at these with a view to simplifying them, once one knows whether there is a need for additional or improved international support in regard to technical assistance.

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Statement made by the representative of the Secretary-General introducing the discussion on item 3 of the Working Group's agenda 1/

1. It is somewhat delicate for the Secretariat to respond to the invitation of the Chairman to introduce the question on institutional arrangements in this context; for in view of the scramble for ever more proliferating activities to which international organizations are perhaps inevitably subject, it is equally nearly inevitable that the Secretariat's utterings on this subject will probably rightly be regarded as reflecting at least some degree of institutional self-interest. Yet, since this working party has only until Friday to terminate consideration of item 14, I thought that introductory remarks on behalf of the Secretary-General may be geared to clarifying, more or less pointedly, the issues before the Committee and thus assist in speeding up consideration of this item of the working party's agenda.

2. In the view of the Secretariat's approach to the problem, as it appears in TD/15, only the question of institutional arrangements arises in four different respects with which I shall try to deal separately:

(a) The institutional arrangements to facilitate, with respect to specific schemes that may be submitted by groups of developing countries, the implementation of the eventual declaration of support.

(b) The institutional arrangements for the further consideration of those questions relating to trade expansion and economic co-operation among developing countries that can usefully be considered in a universal framework. This is the question of the permanent Committee proposed in the Algiers Charter.

(c) The question of the form of UNCTAD's participation in the multilateral trade negotiations that have been initiated by a number of developing countries which are Contracting Parties to the GATT.

1/ Circulated at the request of the representative of Pakistan

(d) The further activities of the UNCTAD secretariat in the field of item 14 and particularly the question of the improved organization of technical assistance to trade expansion and integration efforts among developing countries.

II

3. After this rapid survey of the various facets of the problem of institutional arrangements, let me make some comments regarding the institutional arrangements that may be useful to follow up the eventual declaration of support. Reference to this matter is made in paragraphs 81 and 82 of TD/15. There are various reasons why a multilateral mechanism may be regarded as necessary: it would facilitate the task of the groups of developing countries concerned that would not have to go explaining in a number of capitals of developed countries the nature of their scheme and the specific modes of assistance. A multilateral mechanism may assist developing countries in their attempts to obtain outside support from as diverse sources as possible. The existence of the mechanism may furthermore encourage those countries that are interested to resort to it and come forward with specific schemes. And if linked with the declaration of support, the mechanism may give some added weight to it and contribute to allaying misgivings about its purely verbal character.

4. This, of course, does not necessarily mean that a completely new mechanism applicable to all cases would have to be established. It may already be a step forward if one were to indicate clearly the path to be followed whenever a group of countries want to present a concrete scheme to the international community. Moreover, one may want to consider whether UNCTAD's role in these matters is exhausted with the adoption of the declaration of support or whether on account of its near-universal character it could perform any useful function in backing up the efforts of interested regional bodies for instance in mobilizing attention in connexion with the presentation of specific schemes.

5. May I sum up this point in the form of three questions:

(a) Is there a need for some kind of machinery or clearly established procedure to facilitate the application of the declaration of support to concrete schemes as they are presented?

(b) Is it already possible to give some indications as to the main features of such machinery or procedure?

(c) Should UNCTAD have any role in such machinery, or in connexion with the procedure provided the countries concerned so desire?

III

6. After considering this problem of what to do with respect to concrete schemes as they may come up, the question arises whether there are other questions relating to trade expansion and economic co-operation among developing countries that would deserve intergovernmental consideration within UNCTAD. We for our part think so, and paragraphs 88 and 89 of TD/15 reflect this view, which is based on the experience that has been made between the first and the second Conferences. At the request of the Conference and the Board, we had called two expert groups to deal with different aspects of trade expansion and economic co-operation among developing countries and have also written reports of our own on the subject. Yet, what has happened, is that the concrete suggestions contained in the various reports have not really been examined at the intergovernmental level, though everybody continued to state how important it was to take really effective action and step up trade and economic co-operation among developing countries. Of course, many of the suggestions can only be applied in the regions and on the basis of the autonomous action by the developing countries concerned. But there are at least some suggestions that are contained in our reports, or have arisen in connexion with the recent Conference, which would be perfectly suited for international consideration leading to action both by developing and developed countries.

7. Some of these questions have been on the agenda of the existing UNCTAD Committees. But in view of the understandable overwhelming interest of these Committees in the improvement of the economic relationships with the developed world, these questions relating to relationships among developing countries received only a very minor share of the attention. Furthermore the little debate there was showed that with regard to any stepping up of trade among developing countries, the relationship between primary commodities trade, manufactures trade and the availability of financing and payments facilities was so close that the one could not be considered without the other. Thus, in the Commodity Committee's discussions on trade among developing countries there were various references to the absolute need for simultaneous payments arrangements.

In another context, it was mentioned that if certain developing countries are to increase imports of manufactures from other developing countries, the imperative of reciprocity - characteristic for the approach to trade expansion among developing countries - requires them to take simultaneous steps for increasing the importing countries' primary goods exports. Last but not least, a useful dialogue regarding the justification for certain types of multilateral payment arrangements among developing countries requires the participation not only of the guardians of a country's monetary policy, but also of the trade specialists who may be looking for new market outlets to use better the available productive capacity.

8. Such reasons make us believe that it may be worthwhile to have a committee on trade expansion and economic co-operation among developing countries. But this would only be so if the specialists who know the problems of regional and inter-regional trade expansion would be ready to attend such a committee. Also the agenda items would have to be defined carefully and sufficiently in advance so that the countries' delegations could be composed accordingly, and it should be made sure that the agenda contains only problems that are of common interest to various regions and regarding which internationally agreed action would really be useful and possible.

9. The following questions may help consideration of this point:

(a) Are there any questions related to trade expansion and economic co-operation among developing countries that can usefully be the subject of international intergovernmental consideration?

(b) Are the presently constituted bodies operating under UNCTAD sufficient to ensure that between the Second and Third Conference, adequate attention will be given to the practical ways and means of stepping up the efforts in this field?

(c) Should any possible new body be set up on a permanent basis - like the other UNCTAD Committees - or should one content oneself with one well-prepared meeting of such a body and judge its usefulness afterwards?

IV

10. I now come to a more delicate point because it concerns our relationship to a neighbouring institution, the GATT, though admittedly the question of the relationship with that institution could also be raised with respect to some of the other three points under this heading of the institutional arrangements. This part is described, in carefully weighed words, in the cover note to TD/15/Supp.5 As you know, a number of developing countries that are Contracting Parties to the GATT have in November 1967 set up a Trade Negotiations Committee and started preparations for negotiations on mutual concessions regarding trade barriers, regardless of whether or not the countries concerned are situated in the same region. It is understood that this should lead to the exchange of concessions on a preferential basis. The Committee agreed also that developing countries not parties to GATT should be informed of the discussions in this Committee and of the desire of the participating countries that they should also take part in the work of the Committee with a view to participating in the negotiations. We understand that a number of non-GATT developing countries are replying positively to this invitation.

11. What is now UNCTAD's role in connexion with these negotiations? Our expert group had suggested such negotiations nearly two years ago. The matter was taken up rapidly at the last session of the Trade and Development Board when the interest was expressed by many developing countries that arrangements be worked out between UNCTAD and GATT which would ensure that all developing countries could participate in them on a footing of equality. This is also the stated intention of the GATT secretariat who has offered that UNCTAD should be associated with this exercise and that we should combine our resources to this effect. But to determine and then finalize the exact contents of the inter-Secretariat arrangements regarding this trade negotiation committee, the UNCTAD Secretary-General needs instructions from the relevant body of UNCTAD, and he has therefore submitted the question to this Conference with the suggestion that for these negotiations a joint GATT/ UNCTAD framework should be established. He added that "such a joint framework would

enable the interested members of UNCTAD which are not parties to GATT, and the UNCTAD secretariat, in close co-operation with the GATT secretariat, to play their full role in these negotiations."

12. The question relating to this point may be formulated as follows:

Should the UNCTAD Secretary-General undertake the necessary steps with the GATT Director-General with a view to arranging that the Trade Negotiations Committee set up by developing countries that are Contracting Parties of GATT would operate within a joint GATT/UNCTAD framework and be serviced by both secretariats.

V

13. Let me finally say a few words on the question of the future activities of the UNCTAD Secretariat in the field of trade expansion and economic co-operation among developing countries and on the organization of technical assistance in this field. As for the activities and needs of the Regional Commissions, their representatives will surely want to deal with them. It is our feeling that the research efforts of the Secretariat in this field should be geared towards finding practical solutions for specific problems that tend to arise in trade expansion and integration efforts among developing countries and that are of common interest to various developing regions. We have already started some studies of this type. If the working party had time available we would be happy to submit to its criticism or approval a list of the problems we would envisage to study. We would intend to subject drafts to the criticism of others, and then publish as regular research papers which would them embody the latest stand of knowledge regarding a particular problem. Among these problems are the ways and means of implementing certain intermediate targets like the reduction of particularly high trade barriers among a group of countries, the methods for linking trade liberalization with investment allocation; formulas for sharing the various benefits arising from the location in a particular country of multi-national enterprises; the conditions for the effective application of certain methods to enable less advanced countries to participate in trade expansion and integration efforts etc.

14. Research efforts so directed would, in fact, constitute backstopping of the activities of regional commissions, other regional bodies and of individual experts in the field. It would already be a means for improving technical assistance. In addition, we think that UNCTAD could further contribute to improving technical assistance in this field by establishing and keeping up a roster of experts for each of the specific problems arising in a trade expansion and integration process. Governments might want to inform UNCTAD of the experienced people that they would in principle be ready to provide if a request comes. A choice of names for a particular job description would be submitted to the requesting bodies and countries which can then directly enter into contact with the possible experts and recruit them for technical assistance jobs or as regional advisors. The alternative course which may also be open to a requesting body or country would be that we would actively seek out candidates and interview them on behalf of the body or country which may be too far away on the so-called periphery for forming a judgment. Either procedure is all right, but what must absolutely be avoided is the presently not infrequent confusion where different bodies of the UN family actively seek out experts for exactly the same job with the result that different donor Governments engage difficult domestic procedures for freeing qualified staff only to find out at the end that the job has been filled quite some time ago. The patience of potential donors of technical assistance also gets strained by the recruiting of experts for studies that enjoy little political support by the recipient Governments concerned and are therefore not likely to lead to action. A call for increased technical assistance and for highly qualified experts may want to take these considerations into account. I would therefore dare to refer again to the questions already asked in my statement with respect to item 2 of the agenda.

15. The question arises further whether in addition to the outside experts drawn from the roster, the efforts of the regional bodies and countries could not be backed up if UNCTAD itself had at its disposal a very small permanent nucleus of practically experienced people for the solution of specific problems arising in joint efforts, such as for helping least advanced countries to prepare their position in negotiations for integration or trade expansion, or for preparing item-by-item negotiations, or for adapting linear liberalization techniques with specific national problems, or for shaping inter-regional efforts in a way as to make them compatible with regional

ones. Such a nucleus should, of course, only be constituted if such high level experts can really be found for it. The existence of a nucleus may solve the problem of the delays mentioned in the debate which occur when experts have in all cases to be recruited from the outside. The related question may be formulated as follows:

Should UNCTAD and UNDP make arrangements to ensure that UNCTAD can contribute to fulfilling the needs of regional bodies and countries for short-term advisory services, for instance with respect to the specific problems on which UNCTAD would have concentrated its research efforts?

16. Lastly, it was also rightly stated that there is a certain scarcity of funds for technical assistance and studies related to trade expansion and integration efforts among developing countries. This is particularly regrettable when this scarcity manifests itself at a point when Governments have formally decided to enter into negotiations for mutual commitments. The related question may be formulated as follows:

Is there a chance that the available funds would, in one form or another, be increased at least for those studies or expert missions that would be linked to efforts for the negotiation of specific mutual commitments, in keeping with the concerted effort that may be decided to step up between the second and third conference trade expansion and economic co-operation among developing countries?